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SENSITIVE

STATE FOR EB/IFD/OIA, EB/ESC, AND EAP/PMBS  
DOE FOR TOM CUTLER  
USDOC FOR 4430 ITA/MAC/DBISMEE/KBOYD  
BANGKOK FOR REO JAMES WALLER  
DEPT OF INTERIOR FOR USGS PLEAHY, JMEDLIN, AND GCOAKLEY  
STATE PASS USAID FOR JLEWIS

E.O. 12958: N/A

TAGS: [EMIN](#) [SENV](#) [EINV](#) [ECON](#) [BEXP](#) [RP](#)

SUBJECT: USGS DISCUSSES JOINT MINERAL RESOURCES ASSESSMENT

REF: A) MANILA 11

B) MANILA 259  
C) MANILA 2678  
D) MANILA 2856

Sensitive but Unclassified - Protect Accordingly.

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SUMMARY  
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1. (SBU) In meetings in Manila with senior GRP officials, USGS Acting Director Leahy confirmed the U.S. Geological Survey's (USGS) intentions to develop a work plan with the GRP to conduct the first phase of a mineral resources assessment of the Philippines. Department of Environment and Natural Resources Secretary Michael Defensor endorsed the concept and signed a letter to Interior Secretary Norton to affirm the GRP's plans to pursue the project and secure funding for a contract with USGS. Phase one could be accomplished in one year for about \$1 million, according to USGS. Phases two and three, in which more comprehensive findings would be generated, would cost about \$3-8 million depending on the scope of work and the GRP's in-kind contributions. There appears to be broad-based support among the GRP's agencies, potential investors, and the American Chamber of Commerce. This multi-year assessment could provide opportunities and incentives for the national and local governments to implement reforms that will ensure benefit sharing, environmental protection, and sustainable economic progress. End Summary.

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GRP ENDORSES CONCEPT FOR MINERAL RESOURCES ASSESSMENT  
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2. (U) U.S. Geological Survey (USGS) Acting Director Patrick Leahy and USGS Lead Coordinator for Asia and Pacific Jack Medlin visited Manila August 2 - 6 to explore prospects for the Department of Environment and Natural Resources, Mines and Geosciences Bureau (DENR/MGB), and USGS to jointly conduct a state-of-the-art inventory of mineral resources in the Philippines (ref C). DENR Secretary Michael Defensor signed a letter to Interior Secretary Gale Norton to affirm the GRP's intentions to proceed with the project and secure funding to support a contract with USGS (para 15). USGS may dispatch several experts in the coming weeks to develop a work plan with DENR's Mines and Geosciences Bureau for phase one, which involves integrating existing geologic data and maps in digital format in a publicly-released report. According to USGS, Secretary Norton will address a letter to Secretary Defensor in response.

3. (U) USGS Leahy and Medlin met with Board of Investments Undersecretary Elmer Hernandez; the Inter-Embassy Mining Group (which includes representatives of the Australian, British, Canadian, and American embassies and our respective chambers of commerce); DOE Undersecretary for Energy Exploration and Development Balce; NEDA Chief Economic Development Specialist Art Cebuma; Regional Environmental Officer James Waller; the American Chamber of Commerce; DENR Assistant Secretary/MGB Director Jeremias Dolino; the Chambers of

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Mines of the Philippines; post's Economic Policy Group, which includes the Economic Section, FCS, USAID, FAS, and other agencies; World Bank Acting Country Director Christopher Hoban; House Appropriations Committee Vice Chair Luis Villafuerte, and DENR Secretary Michael Defensor.

4. (U) The assessment would be the first of its kind. To date, piecemeal surveys of the archipelago's natural resources have covered few commodities and perhaps less

than half of the country's area. Data and maps are available only in paper form. Digitized formats are required in applying models to predict where large, recoverable mineral deposits might be discovered. The Philippines perhaps has untapped mineral wealth of more than US\$840 billion, or ten times the country's gross domestic product and fifteen times its national debt. One-third of the country may have recoverable deposits, although titles and permits have been issued for only a small percentage of these lands. Whereas the constitution prohibits foreign nationals from owning land, the Supreme Court's ruling of December 2004 permits companies that are up to 100% foreign-owned to enter into agreements to invest in large-scale exploration, development, and utilization of minerals, oil, and gas (ref A). By identifying probable locations of major deposits of copper, gold, nickel, chromium, and other minerals, public officials could make informed decisions in implementing the country's Minerals Action Plan and allocating mining rights. USGS's policies call for national governments to publicly release the results of these collaborative studies.

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WORK PLAN AND FUNDING FOR PHASE ONE  
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15. (U) In response to Secretary Defensor's invitation, USGS expressed intent to follow-up with DENR/MGB to develop a bilateral work plan for phase one, which would involve integrating existing data and maps in digital format. Phase one would require eight scientists (probably four Americans at USGS and four Filipinos at DENR) working full-time for one year or more, depending on the quantity, distribution, and quality of data and the scale of geologic mapping. Potential sources of information include the GRP's agencies, USGS and its archives, universities, third-country governments, and cooperative commercial enterprises. USGS and DENR/MGB would publish this material to stimulate interest and investment. The report, comprising digitized data and maps on CD/DVD, would be made publicly available, including on the internet.

16. (U) The GRP would be responsible for all expenses following initial consultations. The estimated cost for the first phase is US\$1-2 million, or perhaps less if the GRP maximizes its in-kind contributions of labor and digitization of data. USGS officials are confident that DENR/MGB's competent and dedicated scientists have sufficient expertise to carry out the project.

17. (U) Secretary Defensor said he would seek funds for this activity in the 2006 budget. Appropriations Committee Vice Chairman Luis Villafuerte, who was present at our meeting with Defensor, expressed clear and strong support. Congressman Villafuerte formerly served as Governor of Camarines Sur Province. In the neighboring provinces of Camarines Norte and Albay, there are deposits of copper, zinc, gold, and silver and several small- and medium-sized mining operations.

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PHASES TWO AND THREE  
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18. (SBU) In phase two, experts could generate new data on the archipelago's geology, geochemistry, and geophysics through statistical mapping, sampling, and aeromagnetic and satellite imaging. Target commodities could include a dozen or more metallic and non-metallic minerals. If existing data is sufficient for the scope of the assessment, wide-ranging sampling might not be required. However, for a nationwide survey, more data readily is available on mineral deposits in Luzon and Visayas than those in Mindanao. In phase three, technology would be transferred to DENR/MGB as USGS applies and refines its advanced statistical models to identify probable locations of large, recoverable deposits. The final joint product would synthesize their findings and provide extensive digital information for the public domain at no expense to end users save minimal fees for producing CDs or DVDs. The cost estimate for phases two and three is US\$3-8 million over several years, depending on the scope, the GRP's in-kind contributions, and the extent of information gathered in phase one.

19. (U) The assessment would not include offshore resources. Oil and gas, offshore or onshore, also might not be part of this survey. Department of Energy (DOE) Undersecretary Balce, however, expressed interest in assessing coal, coal bed methane, and geothermal energy resources.

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SUPPORT FROM BOI, DOE, NEDA, AMCHAM, AND CHAMBER OF MINES  
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110. (U) In addition to DENR, the Board of Investments, DOE, and the National Economic and Development Authority are very interested in pursuing this project. Both AmCham and the Chamber of Mines of the Philippines endorsed it. AmCham sent a letter of support to USGS Leahy, citing the benefits of a revitalized mining sector for business and investment. Mining interests in other countries, of course, would have equal access to the data and their investments also could be expected to increase.

111. (SBU) The Philippines is one of the world's most highly mineralized countries and ranks among the top five in copper and gold. Its deposits are key components of global mineral resources. We understand that the assessment would help complete the picture for USGS's study of global mineral reserves. It also would draw in funds for USGS's partnerships with U.S. academic institutions.

112. (U) Since the GRP initiated its shift in policy from tolerance to active promotion of mining in 2004 (ref A), mining companies from Australia, Canada, and China have shown more interest in the Philippine mining sector than have their U.S. counterparts (ref D). In addition to mining itself, however, investment in the sector will present opportunities for ancillary businesses in which U.S. companies have certain competitive advantages, such as mining equipment, transportation, information technology, and environmental planning. Development of the sector will depend on the GRP's ability to remove significant barriers to investment and development, including negative perceptions of the industry due to the mine waste disaster on Marinduque Island in 1996 (ref B) and continuing delays in implementing key regulatory reforms (ref C).

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COMMENT  
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113. (SBU) As USGS and DENR/MGB develop a work plan and negotiate a contract, we should be prepared for skepticism and perhaps opposition from environmental NGOs and some Catholic bishops here. Proprietary land rights remain a controversial issue throughout the Philippines among disaffected communities (some involved with the Communist and Muslim insurgencies). The public rollout of the survey will be important, and we are discussing with DENR how to proceed. A gradualist approach could provide time and incentives for the public, private, and non-profit sectors to implement regulatory reforms that would ensure benefit sharing, environmental protection, and sustainable economic progress. Like other assessments for which USGS has provided technical assistance, the results would be publicly released and the host government would be identified as the principal author. USGS will not attach other conditions to the project. National, provincial, and local officials will be responsible for ensuring responsible mining practices and their track record in this regard is weak. The minerals assessment, however, will provide opportunities for the U.S. to engage the GRP constructively in the direction of reform and liberalization.

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NEXT STEPS  
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114. (SBU) Next steps include:

-- USGS dispatches several experts to Manila in late August or October to develop a work plan with DENR/MGB.

-- The GRP secures funding in its budget.

-- The USG conducts Circular-175 inter-agency review process.

-- The USG and GRP negotiate an MOU, perhaps within the framework of the bilateral Science and Technology Agreement of 2003.

-- Post will continue to report on developments such as the status of the Minerals Action Plan and potential technical assistance initiatives that could facilitate reforms.

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SECRETARY DEFENSOR'S LETTER TO SECRETARY NORTON  
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115. (U) Following is the text of DENR Secretary Michael Defensor's letter of August 5, 2005, to Interior

Secretary Gale Norton, in which Defensor requests that

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USGS develop a work plan with DENR/MGB to conduct a mineral resources assessment.

Dear Secretary Norton:

We greatly appreciate the discussion-meeting between the DENR-Mines and Geosciences Bureau and Dr. Patrick Leahy, Acting Director of the USGS, Dr. Jack Medlin, Chief of the Asia and Pacific Geology of the USGS, and Mr. Robert Ludan, Economic Counselor, and Mr. Stephen Thompson, Economic Officer, both of the Embassy of the United States of America. We believe that we are on the right track to the revitalize the Philippine Minerals Industry especially with the possible joint undertaking of the mineral resources assessment of the Philippines.

We wish therefore that this undertaking be carried out in the soonest possible time. Thus, we are respectfully requesting for two (2) experts from the USGS who would work closely with our Mines and Geosciences Bureau counterparts that would prepare the comprehensive plans for the proposed joint mineral resources assessment. It is our intention to seek funding to support a contract with the USGS and this joint planning team will develop the work plan.

We look forward to your consideration of this matter as we believe that the information that will be generated from this project will further boost the revitalization of the Philippine mining industry.

Thank you.

Very truly yours,

Michael T. Defensor  
Secretary

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End text.

JOHNSON